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# Daily FX Report

## EUR / USD

The Euro was unable to make any headway ahead of Wednesday's New York open and continued to drift lower against the firm US dollar. German unemployment increased 9,000 for May after 23,000 increase the previous month, but slightly lower than expectations of a 14,000 increase.

German consumer prices declined 0.1% for May compared with expectations of a 0.2% increase with the inflation rate declining sharply to 6.1% from 7.2% previously. The HICP rate also declined to 6.3% from 6.8% previously. The headline French inflation rate also declined to 5.1% from 5.9%

The weaker than expected data increased speculation that the ECB could adopt a less aggressive monetary policy stance.

ECB council member Villeroy stated that it is quite likely that inflation has peaked in France and the central bank will bring inflation down to 2% between now and 2025.

The Euro dipped to lows below 1.0660 after the US jobs data and a rally attempt associated with the month-end fix faded quickly with only a brief move back above the 1.0700 level before selling resumed amid a weak underlying Euro tone.

The shift in US June rate expectations provided an element of relief for the Euro with the single currency around 1.0685 in early Europe on Thursday.

The House of Representatives voted in favour of the debt-ceiling Bill with the legislation now moving to the Senate.

The latest Euro-Zone inflation data will be watched closely on Thursday and there are a series of important US data releases which will drive currency markets.

## JPY

The US Chicago PMI manufacturing index declined to a 6-month low of 40.4 for May from 48.6 previously and below expectations of 47.0. The data maintained a run of notably negative releases for the manufacturing sector.

The JOLTS data recorded an increase in job-openings to 10.10mn for April from a revised 9.75mn previously and above expectations of 9.78mn. The data maintained expectations that the labour market was still tight. Treasuries dipped lower in response, although there was a quick recovery as yields failed to hold higher levels.

Fed Governor Bowman stated that there was evidence that the residential real estate market appears to be rebounding.

After finding support below 139.50, the dollar spiked to highs at 140.40 after the Job-openings data, but there was a quick reversal with a move back below 140.00.

Later in the session, Fed Governor Jefferson stated that skipping a rate increase at the June meeting would give the central bank more time to assess the data, although this did not mean that rates have peaked. Philadelphia Fed Harker took a similar view, reiterating that it would be a skip and not a pause.

There was a shift in Fed Funds pricing with expectations of a June hike dipping to below 40%, but the most likely outcome is still seen as a hike in July.

The dollar dipped to lows just below 139.00 following the Fed comments before a rebound to 139.65 on Thursday.

## GBP

Sterling drifted lower after Wednesday's European open with a test of support below 1.2350 against the dollar.

Bank of England MPC member Mann stated that the gap between headline and core inflation is more persistent than in the US. She added that firms will use it if they have high pricing power. The rhetoric remained hawkish, although this would have been no surprise given her voting record and rhetoric over the past few months.

Sterling edged higher later in the day with choppy trading and net gains against the dollar despite fragile risk conditions. The Euro posted fresh losses to new 5-month lows at the 0.8600 level. Sterling moved to highs at 1.2450 as the dollar faded before settling around 1.2430 on Thursday. The Euro traded at fresh 5-month lows just below the 0.8600 level. The US and Euro-Zone data releases are likely to dominate near-term Sterling moves.

## CHF

The Swiss ZEW economic expectations index improved slightly to -32.2 for May from -33.3 the previous month.

The Euro lost ground on Wednesday with the Euro advancing to near 0.9750 despite losses elsewhere while the dollar secured 8-week highs around 0.9145 into the European close. The franc lost ground despite relatively hawkish National Bank rhetoric with Chair Jordan defending rate hikes. Markets expect that there will be a further rate hike at the June policy meeting. The franc edged higher on Thursday with the dollar around 0.9110.

## Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.0800	141.30	1.2565
Resistance 2	1.0750	140.70	1.2500
Resistance 1	1.0700	140.00	1.2440
	1.0675	139.65	1.2430
Support 1	1.0650	139.30	1.2380
Support 2	1.0580	138.70	1.2320
Support 3	1.0520	138.20	1.2265

## Economic Calendar

Currency	Date	Time	Indicator	Period	Survey	Prior
JPY	01/6	01:30	Jibun Mfg PMI	May		50.8
CNY	01/6	02:45	Caixin Mfg PMI	May	49.7	49.5
NOK	01/6	07:00	Current Account	Q1		361.2bn
EUR	01/6	10:00	Core Harmonised CPI YoY	May		5.6%
EUR	01/6	10:00	Unemployment rate	Apr	6.5%	6.5%
USD	01/6	13:15	ADP Employment Change	May	-22k	296k

Source: Bloomberg

### Risk warning

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